

Issue Paper Number 99-052



- ☐ Board Meeting
- ☐ Business Taxes Committee
- ☐ Customer Services Committee
- ☐ Legislative Committee
- ☒ Property Tax Committee
- ☐ Technology & Administration Committee
- ☐ Other

PROPERTY TAX RULE 124

EXAMPLES

I. Issue

Should the Board authorize publication of amendments to Title 18, California Code of Regulations, Property Tax Rule 124?

II. Staff Recommendation

Staff recommends no amendment to Property Tax Rule 124 (Attachment A).

[The California Assessors Association (CAA) concurs with staff.]

III. Other Alternative(s) Considered

1. Adopt, and authorize for publication, Industry's proposed amendments to Property Tax Rule 124 as shown on Attachment B, "Industry Version." Submit the revised rule to the Office of Administrative Law for publication in the California Regulatory Notice Register.

IV. Background

Under Government Code section 15606, subdivision (c), the Board is given authority to prescribe rules and regulations to govern local boards of equalization and assessment appeals boards when equalizing and county assessors when assessing. Pursuant to that authority, the Board directed staff to review section 124 of Title 18 of the California Code of Regulations, Rule 124 in conjunction with Rule 10, *Trade Level for Personal Property*. (Issues related to Rule 10 and a proposed new rule, Rule 153 *Liquefied Petroleum Gas Tanks*, are presented in separate issue papers.)

Consistent with this direction, staff requested suggestions from interested parties regarding proposed amendments to Rule 124. In response to staff's request, one amendment was suggested. Industry, the Western Propane Gas Association, recommends deleting part of an example currently given in Rule 124 under improvements. Currently this example reads as follows:

"Tanks, butane, propane and water softener, unburied but which remain in place."

Industry recommends amending this example to read as follows:

"Tanks, water softener, unburied but which remain in place."

Board staff and the California Assessors' Association (CAA) do not agree with this proposed amendment.

V. Staff Recommendation

A. Description of the Staff Recommendation

Rule 124, *Examples*, is an illustrative listing of classification examples. The rule was originally adopted December 12, 1967 and recently amended February 25, 1998. The 1998 amendment deleted "except household" with regard to tanks as follows:

Tanks, butane, propane and water softener, unburied but which remain
in place ~~except household~~

Board staff does not recommend any further amendments to Rule 124.

B. Pros of the Staff Recommendation

Classification guidelines are listed in the rule in order to provide guidance to assessors for classification of property. The listings provided in Rule 124 are based upon and in accordance with the definitions of Land and Improvements provided in Rules 121 and 122, respectively. As stated in the beginning of Rule 124:

"The listing that follows is illustrative of the application of the foregoing rules to various items of property, and is not intended to be inclusive of all items of property required to be classified."

Deleting "butane and propane tanks" from Rule 124 does not serve any purpose. Deletion of part of the example as recommended by industry does not signify that the property would be classified

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differently. No current revisions to statute or regulations exist that indicate that a change in classification of butane and propane tanks is warranted. In addition, inclusion of "butane and propane tanks" as a further description of tanks provides guidance and clarification to assessors.

C. Cons of the Staff Recommendation

Industry, the Western Propane Gas Association, disagrees with staff's recommendation. Industry believes butane and propane tanks should be classified as personal property.

D. Statutory or Regulatory Change

Action by the Board on the attached Property Tax Rule will amend Section 124, Title 18 of the California Code of Regulations.

E. Administrative Impact

None

F. Fiscal Impact**1. Cost Impact**

None

2. Revenue Impact

None (See attached Revenue Estimate.)

G. Taxpayer/Customer Impact

None.

H. Critical Time Frames

The lien date is January 1 for the assessment year July 1 through June 30. In order for assessors to have this guidance for the processing of the 2000-01 roll, the Board should authorize publication of amendments to the Rule at its November meeting.

VI. Alternative 1**A. Description of the Alternative**

Rule 124, *Examples*, is an illustrative listing of classification examples. The rule was originally adopted December 12, 1967 and recently amended February 25, 1998. Industry recommends an additional amendment to the same example revised in 1998 as follows:

Tanks, ~~butane, propane and~~ water softener, unburied but which remain in place.

B. Pros of the Alternative

Industry contends that butane and propane tanks should be classified as personal property. Industry believes deleting butane and propane from the current Tank example listed in Rule 124 makes a correction to the classification of propane tanks.

C. Cons of the Alternative

Deleting part of an example in Rule 124 as recommended by Industry implies that butane and propane tanks are no longer improvements. No statutory or regulatory change exists that supports a change in classification of butane and propane tanks. Therefore, adoption of this alternative will cause misinterpretation of the revision and confusion regarding the classification of butane and propane tanks.

D. Statutory or Regulatory Change

Action by the Board on the attached Property Tax Rule will amend Section 124, Title 18 of the California Code of Regulations.

E. Administrative Impact

None

F. Fiscal Impact

1. Cost Impact

None

2. Revenue Impact

None (See attached Revenue Estimate.)

G. Taxpayer/Customer Impact

None.

H. Critical Time Frames

The lien date is January 1 for the assessment year July 1 through June 30. In order for assessors to have this guidance for the processing of the 2000-01 roll, the Board should authorize publication of amendments to the Rule at its November meeting.

Prepared by: Property Taxes Department; Policy, Planning, and Standards Division

Current as of: November 19, 1999



BOARD OF EQUALIZATION
REVENUE ESTIMATE

ISSUE #99-052
Property Tax Rule 124, Examples

Proposal

Industry proposes to remove the specific mention of propane tanks from the list of examples of improvements in Property Tax Rule 124, Examples.

Background, Methodology, and Assumptions

This deletion should not have a revenue effect since their value would not change if the propane tanks were classified as other personal property instead of improvements. Also, it is quite likely that the assessors will continue to classify the tanks as improvements with or without their specific inclusion in the list of examples in Rule 124.

Revenue Summary

There is no revenue effect if the reference to propane tanks is deleted from the list of examples in Rule 124.

Preparation

This revenue estimate was prepared by Aileen Takaha Lee, Statistics Section, Agency Planning and Research Division. The estimate was reviewed by Ms. Laurie Frost, Chief, Agency Planning and Research Division, and by Mr. Richard C. Johnson, Deputy Director, Property Taxes Department. For additional information, please contact Ms. Lee at 445-0840.

Current as of November 19, 1999.